

PRESENTATION BY
SIGECO and Indiana Gas Company d/b/a

VECTREN ENERGY DELIVERY OF INDIANA, INC.

BEFORE THE
INDIANA UTILITY REGULATORY COMMISSION

NATURAL GAS FORUM

July 10, 2003

Vectren Employees Attending

- Bill Doty – Executive V.P., Utility Operations, President
- Jerry Ulrey -- VP Regulatory Affairs and Fuels
- Doug Karl -- VP Marketing and Customer Service
- Mike Roeder -- Director Corporate Communications
- Robbie Sears -- Director Marketing and Customer Service
- Kathy Humphrey -- Director Government / Public Affairs

Presentation Outline

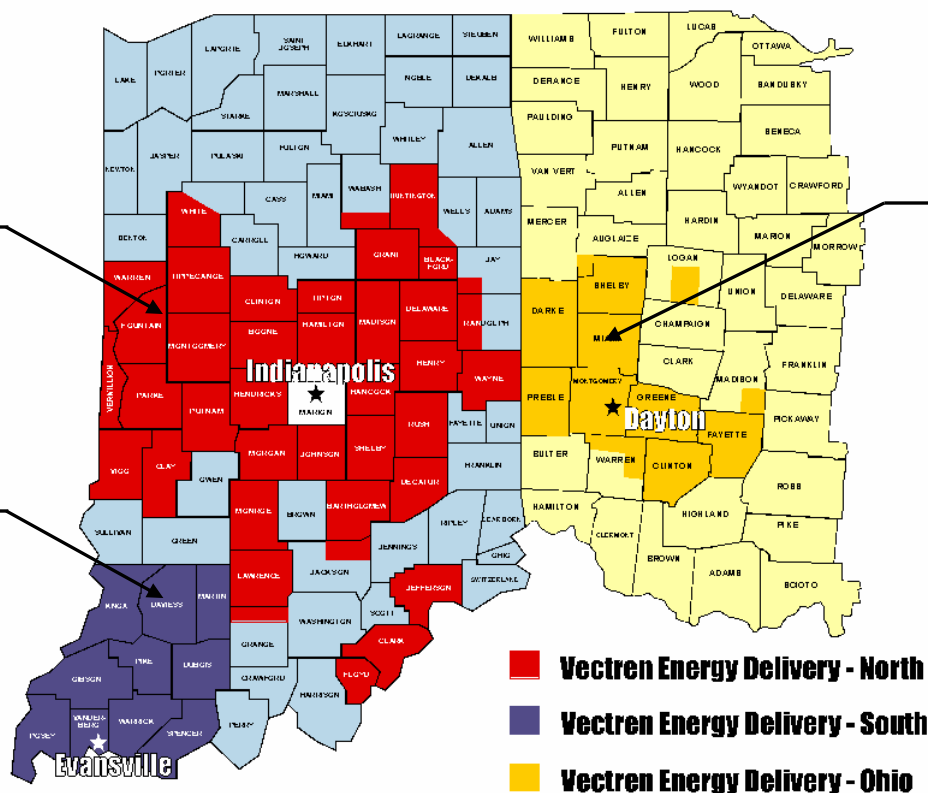
1. U.S. Gas Supply Situation
2. Vectren's Gas Procurement Approach
3. Vectren's Customer Assistance

Service Area Map

542 Thousand Customers
w/122 Million Dth
Throughput for 2003

112 Thousand Customers
w/34 Million Dth
Throughput for 2003

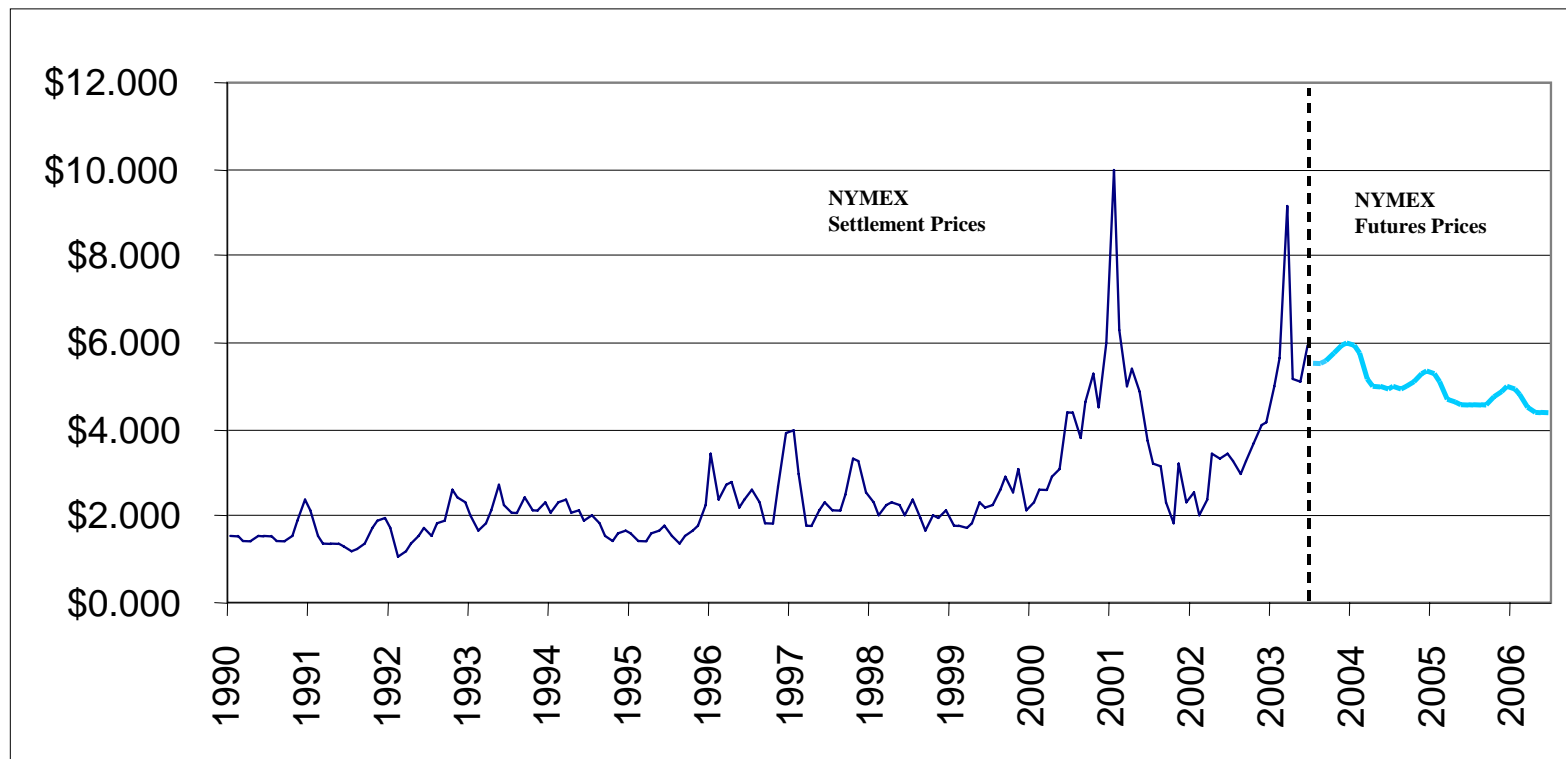
311 Thousand Customers
w/61 Million Dth
Throughput for 2003



U.S. Gas Supply Situation

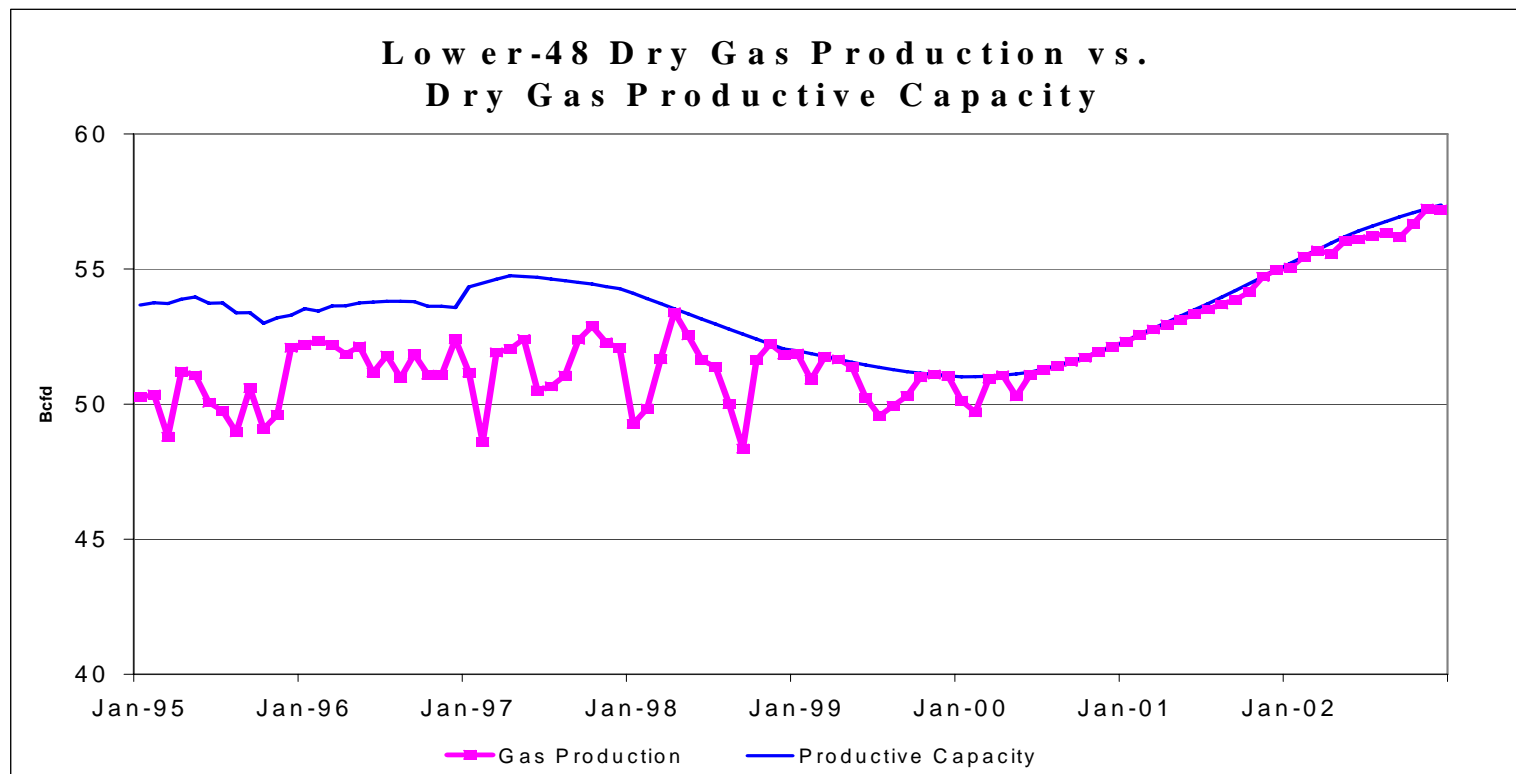
Bill Doty

NYMEX Prices



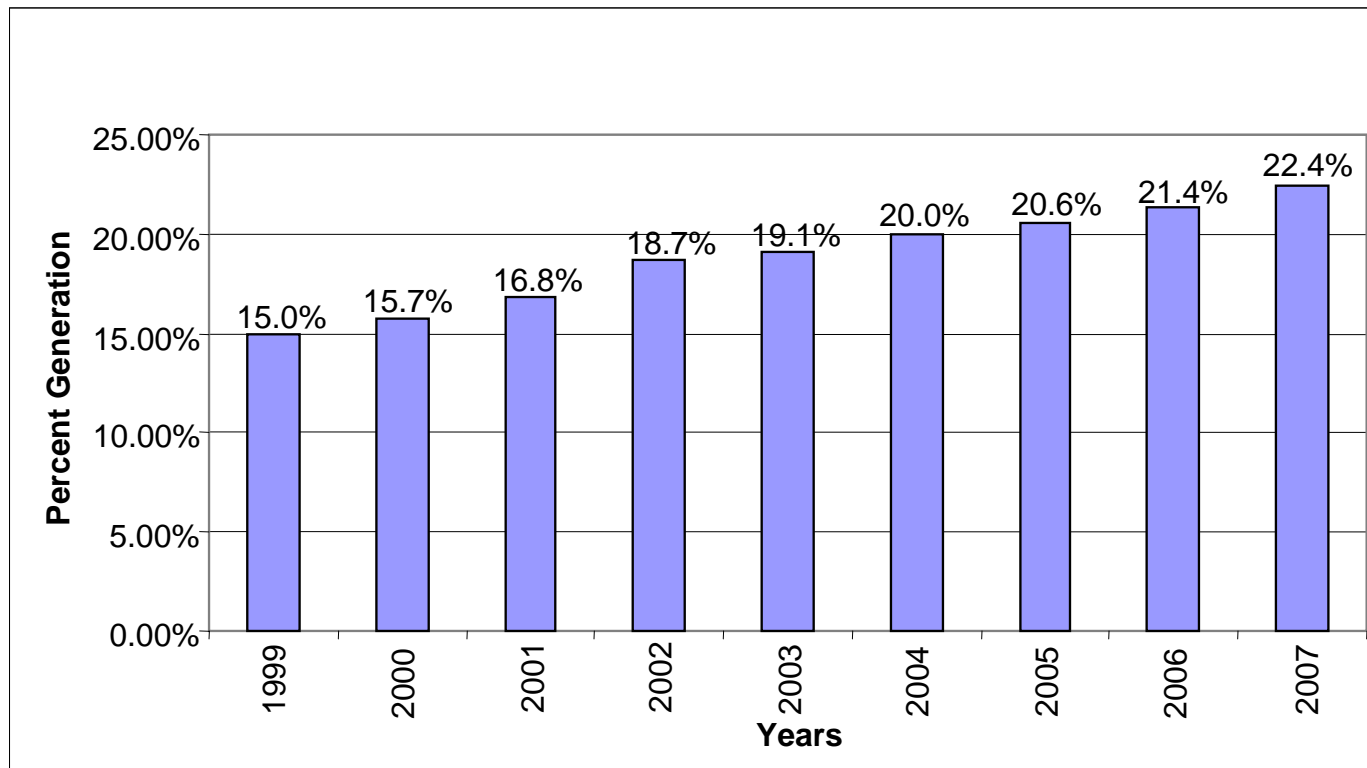
Source: Data Transmission Network
as of 7/9/03

Supply And Demand Balance

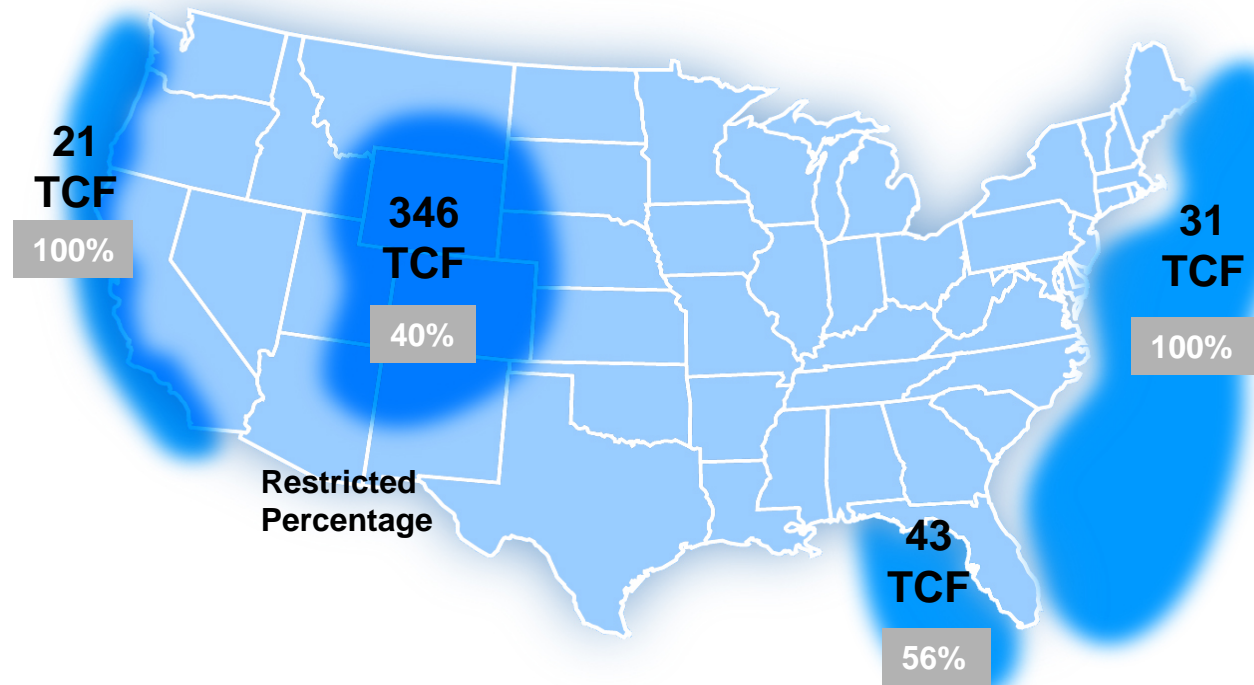


Source: EEA

Gas-Fired Electricity Generation



Major Portions of the Gas Resource Base are Not Accessible



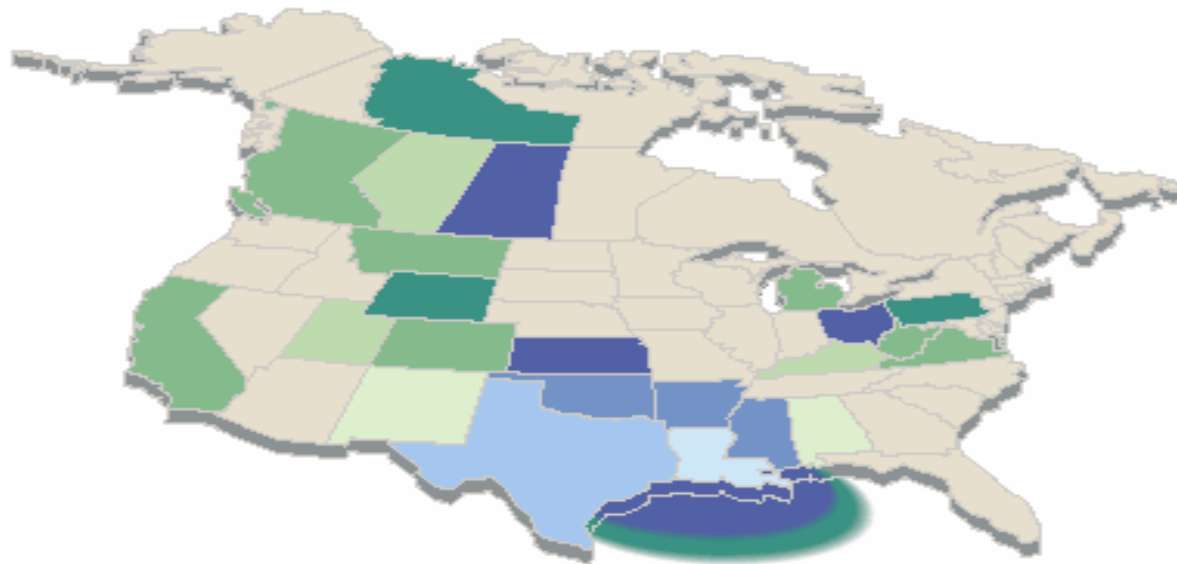
Approximately 29 trillion cubic feet (TCF) of the Rockies gas resources are closed to development and 108 TCF are available with restrictions.



VECTREN

Not just power. Possibility.

Supply Basin Production Changes



Production Increase
darker green = greater increase

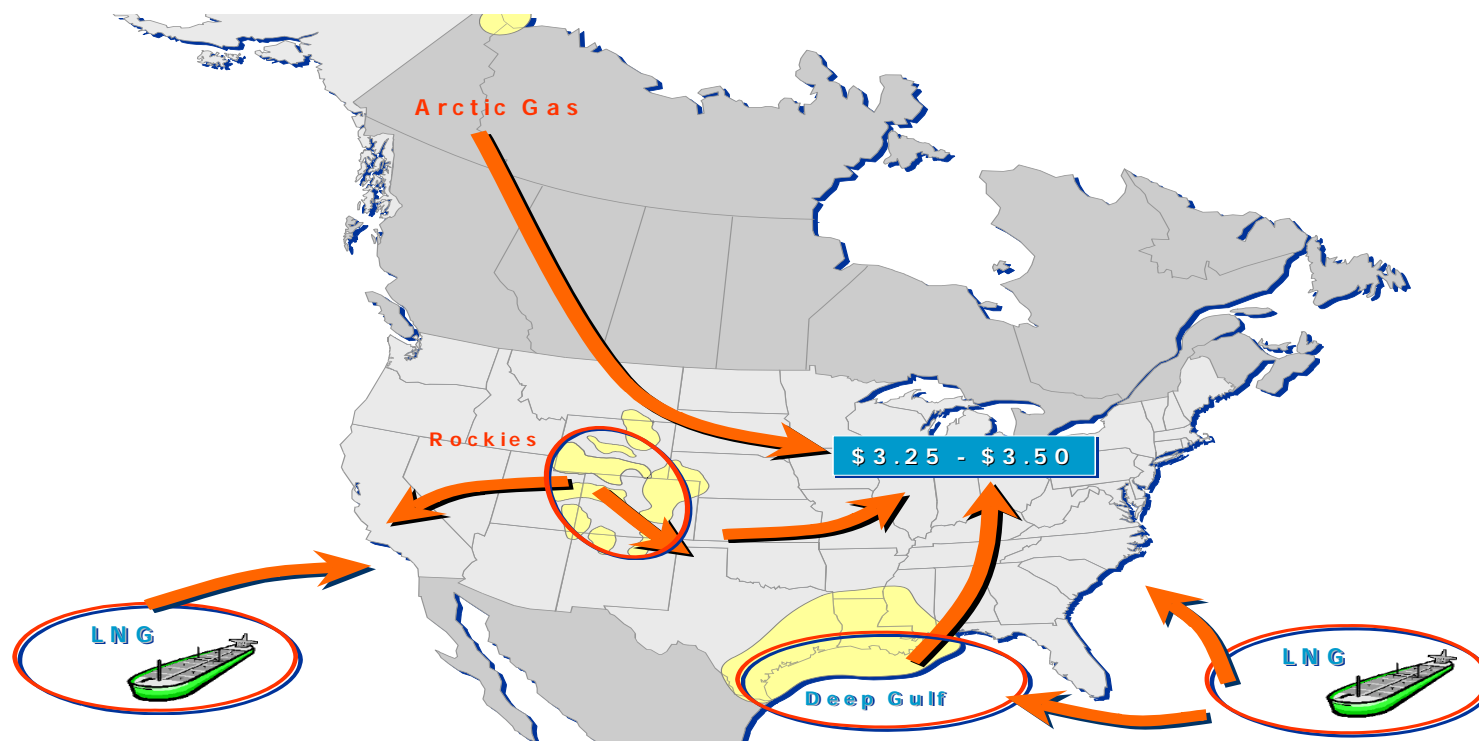


Production Decrease
darker blue = greater increase

Changes in Gas Production: 1995 vs. 2000

Source: Energy Information Agency, APC

New Supply Must Come From New Areas



Solutions to Current Situation

- **Short- to mid-term solutions**
 - Expand existing LNG facilities
 - Increase Canadian imports
 - Increase production from deeper waters in gulf
 - Increase dual fuel generating units
 - Conservation
- **Significant solutions will take time**
 - Changes in the generating mix
 - E&P in areas now off limits
 - Alaskan gas and new LNG are 5-10 yr options

Vectren's Gas Procurement Approach

Jerry Ulrey

Vectren's Portfolio Approach

➤ **Objectives:**

- Purchase reliable gas supply at market prices
- Mitigate price volatility of gas sold to customers

➤ **Components:**

- Advance Purchases
- Storage Gas
- Market Purchases in Month of Delivery
 - First of Month Purchases
 - Daily Purchases

➤ **Target:**

- Hedge 65% to 75% of winter deliveries to customers

Demand/Storage/Purchases (Dths)

<u>Season</u>	<u>Total Demand</u>	<u>Company Storage Inj/(With)</u>	<u>Contract Storage Inj/(With)</u>	<u>Total Purchases</u>
Summer	4,010,695	2,733,220	499,996	7,243,911
Winter	10,521,685	(2,733,220)	(499,996)	7,288,469
Total SOUTH	14,532,380	-	-	14,532,380
Summer	19,393,074	3,500,000	17,400,000	40,293,074
Winter	49,599,758	(3,500,000)	(17,400,000)	28,699,759
Total NORTH	68,992,832	-	-	68,992,832

Purchases By Pricing Type (Dths)

<u>Season</u>	<u>Advance Purchases</u>	<u>First Of The Month Purchases</u>	<u>Contract Storage Refill</u>	<u>Daily Purchases</u>	<u>Total Purchases</u>
Summer	2,848,773	949,591	499,996	2,945,552	7,243,911
Winter	4,575,690	1,525,230	-	1,187,548	7,288,469
Total SOUTH	7,424,463	2,474,821	499,996	4,133,100	14,532,380
% of Total	51%	17%	3%	28%	100%
Summer	4,543,241	1,514,414	17,400,000	16,835,420	40,293,074
Winter	10,021,250	3,340,417	-	15,338,091	28,699,759
Total NORTH	14,564,491	4,854,830	17,400,000	32,173,511	68,992,832
% of Total	21%	7%	25%	47%	100%

Vectren Advance Purchases Plan Targeted Quantities and Timing

<u>Quarter</u>	<u>Example</u>	<u>Percentage of Base Load to be Fixed by End of Current Quarter</u>
Current	June 2003--Aug 2003	
1 st Succeeding	Sep 2003--Nov 2003	75-100%
2 nd Succeeding	Dec 2003--Feb 2004	40-75%
3 rd Succeeding	Mar 2004--May 2004	20-60%
4 th Succeeding	June 2004--Aug 2004	10-30%
5 th Succeeding and Subsequent	Sep 2004—Nov 2004 and Thereafter	Up to 30%

Advanced Purchases By Season - SOUTH

	<u>Apr 03 - Oct 03</u>	<u>Nov 03 -Mar 04</u>	<u>Apr 04 - Oct 04</u>	<u>Nov 04 -Mar 05</u>	<u>Apr 05 - Oct 05</u>
FIXED	3,265,448	3,338,094	1,415,324	1,700,745	980,104
REMAINING	532,915	2,762,827	2,003,203	3,790,084	2,058,587
PERCENT FIXED	85.97%	54.71%	41.40%	30.97%	32.25%
Avg. Price	\$4.4260	\$5.1756	\$4.1014	\$4.3426	\$4.0218

Advanced Purchases By Season - NORTH

	<u>Apr 03 - Oct 03</u>	<u>Nov 03 -Mar 04</u>	<u>Apr 04 - Oct 04</u>	<u>Nov 04 -Mar 05</u>	<u>Apr 05 - Oct 05</u>
FIXED	4,675,638	6,481,355	2,275,657	2,150,856	1,250,138
REMAINING	1,382,016	6,880,312	3,176,232	9,874,645	3,595,985
PERCENT FIXED	77.19%	48.51%	41.74%	17.89%	25.80%
Avg. Price	\$4.6910	\$5.0585	\$4.5176	\$4.3391	\$4.0236

New Financial Hedging Plan

- Purchase gas **futures** to fix the price on a portion of our purchases
- Purchase gas **options** to:
 - **Cap** prices at a specified price
 - **Collar** prices within a price range
- Can be used to hedge gas quantities that already have been physically contracted for at market prices:
 - Summer storage refill purchases (FOM)
 - Winter “swing” purchases (Daily)
- New target will be to hedge 65% to 75% of total purchases

Current Gas Price Projections

	<u>NYMEX</u>	<u>EIA</u>	<u>Private</u>	<u>Average</u>
Nov-03	5.94	4.65	6.20	5.30
Dec-03	6.04	4.65	6.30	5.34
Jan-03	5.96	4.76	6.30	5.36
Feb-03	5.79	4.76	6.00	5.27
Mar-03	5.16	4.76	5.60	4.96
Winter Average	5.78	6.08	4.72	5.25

Winter Average Bill Comparisons

South

Winter (Nov-Mar)	Bill
2002 - 2003	\$107.33
2001 - 2002	\$71.26
Cost Increase	\$36.07
% Increase	51%

Winter (Nov-Mar)	Bill
2001 - 2002	\$71.26
2000 - 2001	\$120.62
Cost Decrease	\$49.36
% Decrease	41%

North

Winter (Nov-Mar)	Bill
2002 - 2003	\$123.70
2001 - 2002	\$84.15
Cost Increase	\$39.55
% Increase	47%

Winter (Nov-Mar)	Bill
2001 - 2002	\$84.15
2000 - 2001	\$137.76
Cost Decrease	\$53.61
% Decrease	39%

Vectren's Customer Assistance

Doug Karl

Gas Price Impacts

- Residential Customers
 - Significant effect on low-income customers who already struggle with ability to pay.
 - Widens the population who will struggle to pay.
 - Each \$1.00 increase in the commodity price has approx. a \$100 annual effect on the average residential space heating customer.
- Commercial Customers
 - Increased costs of operation.
 - Each \$1.00 increase in commodity price has approx. a \$350 annual effect on the average commercial customer.
- Industrial Customers
 - Increased cost of operation.
 - Need to add price mitigation strategies.
 - Threatens growth and expansion opportunities.

Gas Price Impacts

- 2003 Projected Net Write - offs \$7,700,000
 - *Gas cost increase* *\$1.3 million*
 - *Increased volumes* *\$.7 million*
- Current Disconnected Customers
 - South
 - Electric 1,414
 - Gas 3,198
 - North 21,881
- Average Current Disconnected Arrears Balance
 - South \$ 251.00
 - North \$ 245.00

Gas Price Impacts

➤ Customer Contact Center

- 21% increase in call center volumes YTD.

➤ Calls Received:

- 2002 (January - June) 1,026,856
- 2003 (January - June) 1,239,548
 - Increased high bill inquires
 - Increased payment arrangements
 - Customers experienced longer wait and call resolution times

Vectren has increased staffing in our contact center to mitigate the effect on customers and maintain customer satisfaction levels.

Assistance Programs

➤ LIHEAP Federal Funds

- North \$5,522,962 28,577 Households assisted
- South \$2,307,650 16,507 Households assisted
- Total \$7,830,612 45,084

➤ Share the Warmth

- Funds distributed to 15 local CAP Agencies via INCAA
- Funds distributed:
 - \$ 500,000 Vectren contribution (Recurring)
 - \$ 610,000 Vectren GCA 50 settlement funds (Recurring)
 - \$ 14,916 Public and Vectren matching funds (Recurring)
 - \$1,124,916 Total Funding
- Households provided assistance
 - North 2,716
 - South 1,693

Assistance Programs

➤ Vectren South Settlement

- \$250,000 provided to LIHEAP eligible customers in the south area.
- Funds were distributed as follows:
 - if balance was <\$100 - balance paid in full
 - if balance was >\$100 - \$110.00 toward balance
- Funds were automatically credited
- 2,673 Households provided with assistance

Assistance Programs

➤ **GCA 50 Settlement Refund**

- \$6.3 million credited to North customers in December 2002 bills. (One-Time Settlement Fund)
- **2003 Funds:**
 - GCA 50 Settlement Funding is a 3 year commitment of approximately \$1.1million in annual funding beginning in 2003.
 - Share the Warmth **\$610,000**
 - CHAFE Program contribution **\$143,350**
 - Other Funding:
 - Low Income Weatherization **\$130,000**
 - *50 - 60 homes will be weatherized this year through existing CAP programs*
 - Fall Turn-on Program **\$153,650**
 - *Anticipate 1,000 customers will be provided with assistance toward reconnection or disconnection avoidance this fall.*

Bill Payment Programs

➤ Budget Bill

- Customers pay the same amount over a 12-month period based on estimated usage
- Provides ability to budget payment amount and avoid monthly fluctuations
- Credit or Debit balances roll forward over next 12 months
- Current Enrollment
 - 105,456 North customers Average Budget Bill \$108.51
 - 6,745 South customers Average Budget Bill \$ 93.99
- 2004 budget bill impacted by:
 - Gas Commodity Cost Expectations
 - Majority of customers have Debit Balances

Bill Payment Programs

- Deferred Payment Date Plan
 - Due date of monthly bill can be coordinated with receipt of monthly Social Security or pension checks.
 - Must remain current in order to maintain eligibility in the plan

- Pay by Phone
 - Payment can be made by check (no additional fee)
 - Payment can be made by credit card (additional fee required)

- Payment Sites
 - Payments can be made at numerous sites

Customer Communication Plans

- Phase I (July - September)
 - Educate customers
 - High natural gas prices are coming this winter
 - Need to prepare homes for winter weather
 - Sign up for budget billing program
 - Enroll early for LIHEAP and Share the Warmth assistance
 - Meet with Gas Supply Marketers that provide service to transport customers to confirm winter season processes
- Phase II (October)
 - Issue Projections on pricing and customer bill impacts
 - Educate customers
 - Home weatherization and energy conservation tips
 - Sign up for budget billing program
 - Enroll now for assistance programs
 - Transportation customer meetings

Customer Communication Plans

- Bill Inserts
- Bill Messaging
- Speakers Bureau
 - Provide outreach preparedness and education
- Web Content
 - Natural gas price and supply outlook
 - Weatherization and conservation information
 - Energy assistance information
- Employee Communications
 - Educating our employees to better prepare and inform customers, neighbors and friends
- Energy Efficiency Promotion
 - Energy Saver booklets, weather stripping, etc.



Vectren.com screen shot

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